

TiGRE policy brief

How can regulatory agencies build and repair citizens' trust?

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This policy brief discusses strategies that regulatory agencies can use to foster and repair citizens' trust in their work. These strategies are based on the findings from focus groups conducted with citizens from six European countries, and a survey experiment with Danish citizens.

The findings from these studies indicate that citizens consider openness and transparency, expertise, and integrity as key characteristics of a trustworthy regulator. Thus, regulatory agencies could seek to strengthen their communication with relevant stakeholders, as well as to publicly display their expertise and integrity, as ways to build citizens' trust. In addition, in the context of a negative media coverage of incident of regulatory failure, open communication, taking responsibility for the incident, and providing justifications and plans for remedying the situation, are the most effective courses of action for a regulator to take in order to restore citizens' trust.

/// INTRODUCTION

In any democratic polity citizens' trust in governments and their organizations can be considered an important outcome of governing. At the same time, citizens' trust can be seen as an important condition for the ability of governments and their organization to govern, as well as to successfully implement policies and ensure compliance with policies and regulations. Not least, as public organizations responsible for implementing regulatory policies (TiGRE second policy brief) and regulation of both citizens, companies etc., regulatory agencies need trust to encourage compliance (van Ryzin 2011:755; Grimmelikhuijsen et al 2021:17). Contextualized in media saturated environments, where regulatory agencies are especially prone to negative media coverage (Verhoest et al 2023), ensuring trust is not a trivial task.

To better understand how regulatory agencies can build trust in general, and repair trust after having been subject to negative media coverage due to incident of regulatory failure in particular, this policy brief reports findings from focus groups with participants from six countries and a survey experimental study situated in Denmark. The focus groups investigate how citizens reason about the work of regulatory agencies, and the factors that citizens deem important in the evaluation

of the trustworthiness of regulators. The survey experiment takes the context of negative media coverage on the work of a regulator following a regulatory incident, and investigates the effectiveness of different communication strategies the regulator can take in restoring citizens' trust in its work. The experimental study includes regulatory agencies from the food safety, data protection and financial sector, while the focus group looks only into the food safety sector. Together, these data collection efforts provide valuable insights into the strategies available to regulatory agencies to build and restore citizens' trust. As the results will show, thoughtful and open communication on part of the regulator about its own work, and particularly in the face of negative media reporting in the aftermath of a regulatory incident, is the key to (re)gaining citizens' trust.

/// CHARACTERISTICS OF TRUSTWORTHY REGULATORS: THE FOCUS GROUPS

Twelve focus groups with citizens were conducted in the second half of 2022, with the goal of examining citizens' views on the work of regulatory agencies. The focus groups were conducted in six countries: Belgium, Germany, Denmark, Israel, Norway, and the Nether-



lands, following the same procedure and using the same materials (see Aleksovska et al 2023). The aim of the focus groups was threefold: to explore what constitutes a trustworthy regulator in the view of citizens, to examine how citizens reason about the enforcement process, and lastly, to give more insight on how citizens form opinions regarding the work of regulatory agencies. In this policy brief, we highlight the findings from the first stated aim of the focus groups.

// What makes a regulator trustworthy?

The focus group discussions indicated a remarkable similarity between the views of the interviewed citizens of all six countries in terms of the features that characterize a trustworthy regulator. Three regulatory characteristics appear to be considered of key importance by citizens: transparency, expertise, and integrity.

/ **Transparency** – Openness and transparency in the work of regulatory agencies were found to be highly important to citizens. Clear communication on part of the regulator towards citizens and consumers, particularly in situations where there is a threat to public wellbeing, was stressed by focus group participants in Belgium, Germany, Denmark, Israel, and Norway. The respondents in Germany, Norway, and the Netherlands highlighted the need of regulatory agencies to be open and transparent about their activities and expectations also towards regulatees.

/ **Expertise** – Citizens consider expertise to be one of the key characteristics of a trustworthy regulator. However, what kind of expertise is seen as important differs somewhat between countries and focus group respondents. The focus group respondents in Germany, Israel, and Norway consider scientific and legal knowledge on the subject matter as key, while the focus group discussions in Belgium, Israel, Netherlands, and Norway highlighted the need for technical expertise and knowledge of the regulated industry.

/ **Integrity** – The third and last characteristic of a trustworthy regulator following the focus group discussions of citizens is integrity. The focus group participants in Israel and Norway underscored the importance of regulatory independence and absence of political influence in the work of regulators. The neutrality and consistency of regulatory enforcement were stressed in the focus group discussions in Germany, Denmark, the Netherlands, and Norway.

/// COMMUNICATION STRATEGIES FOR TRUST REPAIR: THE SURVEY EXPERIMENT

The experimental study investigates the effectiveness of different communication strategies that regulators could employ, in terms of repairing citizens' trust after negative media coverage after an incident of regulatory failure. Situations where, for example, a company releases an unsafe product onto the market, or a public institution fails to protect the personal data of the citizens it interacts with, are considered here as incidents of regulatory failure. Since the relevant regulator has failed to uphold the safety or privacy standards, and the media has shined a light on this incident, citizens' trust in the regulator's work is expected to be negatively affected. In this context, the effectiveness of different communication strategies the regulator could take is examined both in conditions of failure due to under-regulation, and over-regulation. By regulatory failure due to under-regulation, we consider situations where the regulatory standards and/or their enforcement are found to be overly lenient and thus inadequate for protecting the public interest. For example, an unsafe product was released onto the market because lack of checks on the work of the producers by the responsible regulator has allowed that to happen. In contrast, regulatory failure due to over-regulation characterizes situations where regulatory standards or their enforcement impose an excessive burden on the regulated entities and the regulated field overall (Gilad et al., 2015). For example, a company did not manage to fix an error in their IT system in a timely manner, which resulted in additional charges for their customers, due to the fact that so much of the company's resources were dedicated to responding to numerous inquiries from the regulator. The survey experiment was fielded in Denmark between the period of end April to end June 2022, on a nationally representative panel of respondents of the adult Danish population in terms of age, gender, and educational attainment. The survey experiment yielded a dataset consisting of 3109 observations, collected from 1,568 individuals (see Aleksovska et al 2022).

We examined five different regulatory communication strategies suggesting a continuum from being more closed and defensive, to more open and responsive:

- / Silence
- / Admission of problem and excuse
- / Admission of problem and justification
- / Admission of responsibility and apology
- / Admission of responsibility and promise of future action

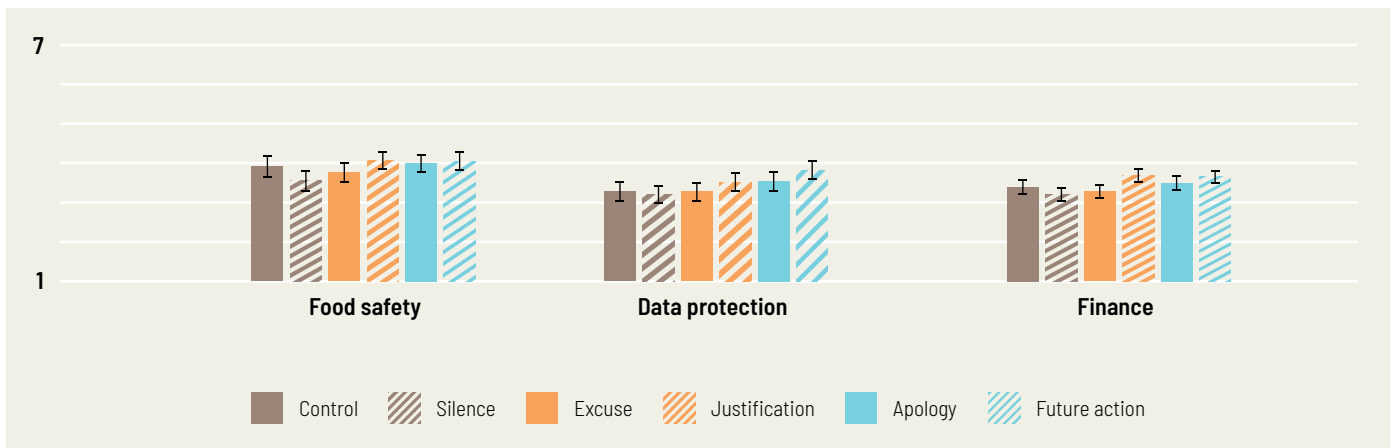


Figure 1. Trust in the three regulatory agencies per communication strategy (95% ci)

// Which communication strategy is the most effective in repairing trust when faced with critique?

The results from the experimental analysis are presented visually in Figure 1. The figure displays the mean level of citizens' trust in the regulator, per sector and type of communication strategy which the citizens received in the experiment. Trust was measured on a 7-point scale, where 1 is the lowest level of trust, while 7 is the highest. For all three regulatory sectors, citizens' trust in the regulator is the lowest when the regulator chooses to remain silent after having been covered negatively in an article suggesting under-regulation.

However, not all other communication strategies are significantly better than silence for citizens' trust: admitting the presence of a problem and providing a justification results in a significantly higher level of citizens' trust in the regulator in the domains of food safety and finance; while admitting responsibility and offering a plan for resolving the issue is significantly more effective as a trust repair strategy in the domains of data protection and finance. For example, if an unsafe product was released onto the market because lack of checks on the work of the producers by the responsible regulator has allowed that to happen, and the responsible regulator the not openly admits its responsibility, but also announces that it will use the mistake facilitate learning in the agency in terms of performing adequate checks or announce that more resources will be allocated to perform more checks from now on to prevent similar incidents in future. Even though the remainder of the communication strategies lead to some improvement in citizens' trust compared to silence, this improvement is not large enough to be considered as (statistically) significant. Hence, which communication strategy is most

effective in trust repair, and thus results in highest citizens' trust, will depend somewhat on the regulatory sector, although two strategies generally stand out: 1) admission of problem and a justification, and 2) admission of responsibility and a promise of future action.

// Are the communication strategies less effective when faced with critique of under versus over-regulation?

Given that regulation is the core activity of regulatory agencies, a failure to sufficiently regulate could be seen as a failure in delivering its core task and mandate (Gilad et al. 2015), e.g. perform a sufficiently amount of checks or perform checks that are of a sufficiently high quality to identify e.g. errors in the production of food or banks' ability to allow money laundering in their bank activities. However, over-regulation does not signal incompetence or question the capabilities of the agency to perform its core task, but rather emphasizes the costs of regulation involved, not least on the regulatees (Gilad et al. 2015), e.g. when the regulation of IT safety is experienced as inhibiting small and middle sized companies to perform their business in an effective way. Does this lead to differences in the effectiveness of the different communication strategies a regulator can take to repair citizens' trust in the context of negative reporting of a regulatory incident due to under-regulation and over-regulation? The results from this analysis are presented in Figure 2. Here again, trust is measured on a 7-point scale, where 1 denotes the lowest level of trust, while 7 the highest.

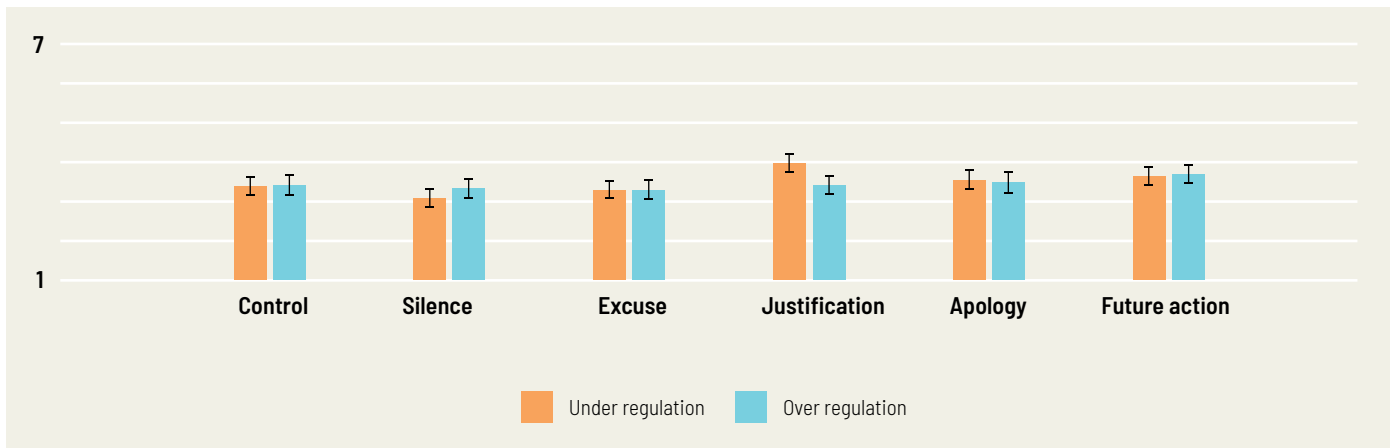


Figure 2. Trust in the financial regulator per communication strategy in conditions of under- and over-regulation (95% ci)

In contrast to when criticized for a problem due to under-regulation, when criticized for over-regulation, we do not find evidence that different communication strategies could be used strategically by the regulator to repair citizens' trust. Thus, none of the different communication strategies would have any significant effect on citizens' evaluation of the regulators' trustworthiness when criticized for problem occurring due to over-regulation. Hence if a financial regulator is criticized for regulating banks to intensively resulting in administrative burdens and ties resources to ensure their compliance in the banks no responses seems to matter in terms of how citizens' evaluate the regulators' trustworthiness after such critique.

Further, when comparing the effectiveness of the communicative strategies for trust repair in conditions of under-regulation to those in conditions of over-regulation, we find that only the strategy of admission of problem and provision of justification leads to significantly different levels of citizens' trust. Specifically, it leads to higher levels of citizens' trust in conditions of under-regulation, as compared to over-regulation. The remainder of the communicative strategies do not lead to significantly different levels of citizens' trust in the two conditions.

These results suggests that regulators appear to have much more possibilities to actively pursue strategies for trust reparation in conditions of under regulation, than in the context of overregulation.

/// PRACTICAL IMPLICATIONS

To better understand how regulatory agencies can build citizens' trust in them, as well as repair citizens' trust after having been subject to negative media coverage in the aftermath of a regulatory incident in particular, this policy brief has reported the main results from a survey experiment and focus groups with citizens.

In this final section we reflect upon the practical implications of the findings from these studies.

First, there appears to be a general consensus among citizens in multiple countries in Europe on what constitutes a trustworthy regulator: transparency, expertise, and integrity are seen by citizens as the key features of a regulator that can be trusted. Thus, regulators that seek to improve their trustworthiness in the eyes of citizens would be well-advised first, to make their work more open and transparent, and to invest in their communication with citizens, consumers, but also regulatees. Second, regulatory trustworthiness in the eyes of citizens can be strengthened by displaying expertise, both in terms of knowledge of the scientific and legal developments in the specific domain of regulation, but also in terms of practical familiarity with the regulated industry, which would signal ability to enforce effectively. Lastly, the integrity of the regulator is highly important to citizens, so to foster citizens' trust, regulators would be advised to defend their independence from political and business interests, and display impartiality in their judgments.

Second, if a regulatory agency 'makes it to the news' via negative reporting on its work, the agency's choice of communicative response to such critique matters for the degree of trust citizens grant them afterwards. Silence

does appear to be most detrimental to citizens' trust after coverage suggesting that the agency has been too lenient in its regulation. This underscores the importance that citizens place in openness and communication for regulatory trustworthiness. Regulatory agencies should rather opt for a more open and responsive communicative strategy, which either provides a justifying account and hence an explanation for the criticized behaviour, or an admission of responsibility for the problem, and promise of amending actions, in terms of preventing the problem to occur in future. While these two communicative strategies appear the most effective for generating citizens' trust after media attention on an episode of regulatory failure, all regulatory communication should be calibrated to the specifics of the crisis at hand (Coombs 2012). Next to considering the crisis, another contextual aspect to consider when responding to negative media coverage is important to bear in mind, that is the prior trust given to the agency by the citizens. The communication strategies were only investigated among Danish citizens. This means that the effectiveness of the strategies is investigated in a comparably high trust context, where agencies to begin with enjoy a relative high degree of trust from citizens. Having that said, one may argue that if communication can be effective, in a context where citizens expectations to the agency, also in terms of trustworthiness, to begin with are high, then this may also be the case in context where the expectations to begin with are lower. Research from reputation management has demonstrated that agencies who have a positive prior reputation before entering a crisis suffers the most in terms of negative reputational judgments after a crisis (Lee 2022:1131). Hence, there may be more reputation and potentially also more trust to repair if the agency enjoyed a relative high degree of trust prior to the incident. And that at least in the Danish case seemed to be possible for some of the communication strategies investigated here.

Third, if negative coverage suggests that an agency has been over-regulating and that has led regulatees to make mistakes since so much of their resources have been invested towards addressing the agency's demands, there is not much that the agency can do in terms of communication to restore citizens' trust in its work. None of the different communication strategies investigated here has any significant effect on citizens' evaluation of the regulators' trustworthiness when criticized for overregulation.



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